

#### The Solutions Network

Rochester, New York

## **Defense Energy Support Center**

**Energy Solutions For the Military Services** 

Presented by:

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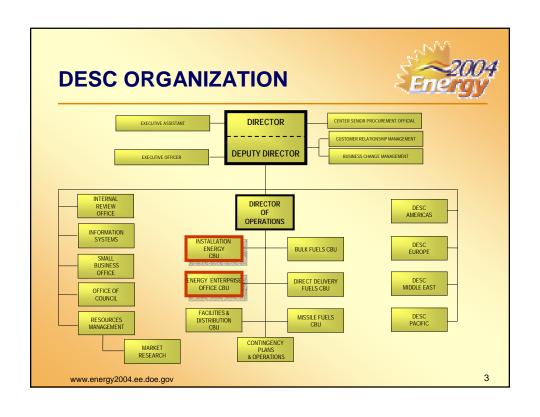
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## **Agenda**



- DESC Organization
- DESC Mission / Vision
- History of DESC Installation Energy Missions
- DESC Installation Energy (DESC-A) Overview
- DESC Energy Enterprise (DESC-E) Overview
- The Way Forward
- DESC Points of Contact

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## **DESC Mission**





To provide the
Department of Defense,
and other government agencies,
with
comprehensive energy solutions
in the most effective and
economical manner possible.

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5











Our Customer's First Choice for Energy Solutions









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## **DESC Installation Energy Missions**



DESC-E Energy Enterprise	Utility Privatization & ESRC + established in 1998  Defense Reform Indiative Directive (DRID) 21 directed DESC to assist the Military Services with the privatization of utility related infrastructure and make the most effective use of existing tools; such as energy savings performance based contracts: to decrease energy demand.
DESC-A	Electricity – established in 1996
Installation Energy	In 1998. Defense Reform Insightive Directive (DRID) 21 directed DESC to execute regional demonstrations of total energy management to include the aggregater purchase of electricity. DESC is executing the competitive acquisition of Retail Open Access for Department of Defense and Federal Civillan agencies in states that have implemented deregulation.
	Natural Gas – established in 1990
	Defense Energy Program Policy Memorandum 93-3 provided policy for the centralized acquisition of direct supply natural gas for Military Installations throughout the continental U.S. under DLA: through the DESC.
	Coal + established in 1963
	Procurement of coal, testing and delivery for DoC and Federal Civilian Agencies within CONUS.

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#### **DESC Installation Energy Office Executing DoD Policy**



- DoD Instruction 4170.11 (in final coordination):
  - Implements DoD Directive 4140.25, "DoD Management Policy for Energy Commodities and Related Services", to provide procedures for DoD installation energy management.
  - Procurement Strategy:

"The DoD Components are encouraged to partner w/ DESC to identify and develop risk mitigation strategies appropriate for the risk preference profile of the end-user and are encouraged to aggregate demand across facilities or agencies to maximize economic advantage."

"The DoD Components are encouraged to partner w/ DESC and aggregate regional electricity requirements (including renewable energy) to competitively procure electricity and ancillary and incidental services needed to meet the identified requirements. Award determinations shall be based on best value compared to the applicable utility tariff available under a Utility Services Contract."

Natural Gas:

The Department of Defense's policy is to competitively acquire direct supply natural gas under the natural gas program managed by DESC, when cost effective and the program has the same degree of supply reliability as other practical alternative energy sources. DESC and the DoD Components may mutually agree to exclude an installation from the DESC program under certain stated exemptions.

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# Installation Energy Customer/Stakeholder Support



#### Procurement

- Offer centralized, competitive acquisition of installation-energy commodities
- Purchase of renewable energy and "Green Tags" for DoD & Fed Civ Agencies
- Aggregate Military Services and Federal Civilian customer requirements by local distribution company/pipeline/region to maximize the economic advantage

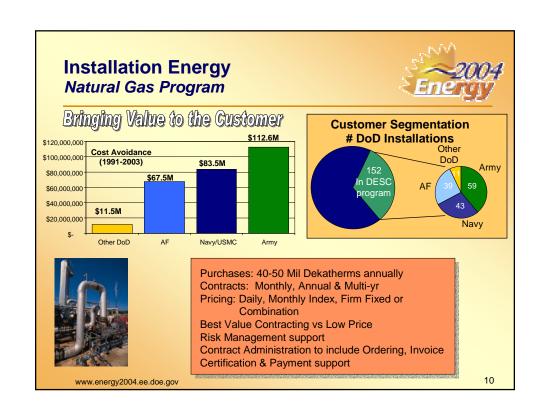
#### Management & Administration

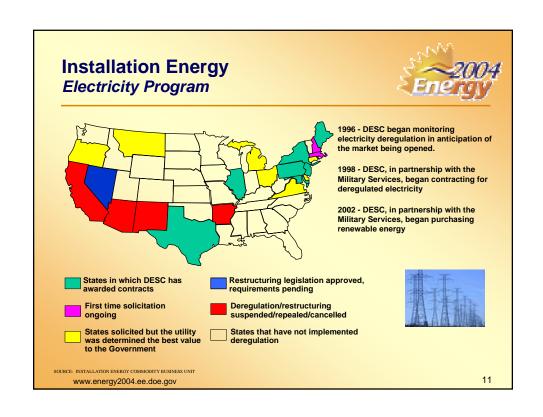
- Represent DoD with the Federal Energy Regulatory Commission, American Gas Association, the North American Energy Standards Board, and other industry trade associations
- Participate in the DoD Agency Energy Team Working Groups
- Perform all contract administration of DESC awarded contracts
- Monitor energy market and industry trends
- Participate in negotiations with local distribution companies for rate changes and tariff provisions as requested. Execute transportation agreements with the local utility company, pipeline and/or transmission companies.

#### Contracting & Technical Assistance

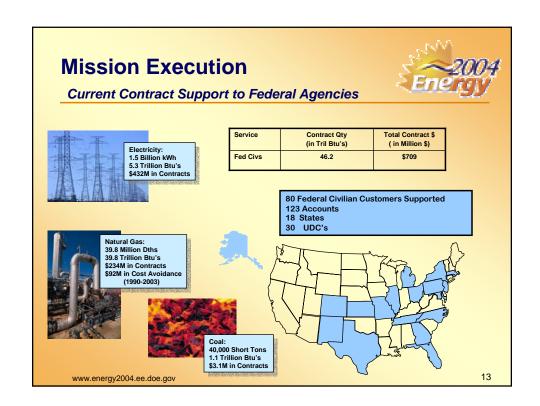
- In partnership w/ IMA to execute risk mitigation strategy for Army
- OSD Annual Energy Report to Congress
- Economic Analysis (utility tariff vs DESC supplier)

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## **DESC Energy Enterprise Office**



- Formed from DRID 21 (Jan 1998):
  - "DESC is to assist the Military Services with the **privatization of utility-related infrastructure**" and "make the most effective use of existing tools, such as **energy savings performance-based contracts**, to decrease energy demand."
- We provide contracting, technical, and program management support to the Military Services and Office of Secretary of Defense <u>primarily</u> through the implementation of:
  - Utility System Privatization (UP) Contracts
  - Energy Savings Performance Contracts (ESPCs)
- Contracting Agent of Choice: Army (100%) and Air Force (86%)
- Viewed as execution arm of DUSD(I&E) for energy initiatives

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## **Growth of DESC Energy Enterprise**



**Program Execution Focus** 

- Revised DEPSECDEF Guidance Oct 2002
  - Advises Military Services to work with DESC as program, procurement and technical agent
  - Established Program Milestones and Quarterly Metric submissions to OSD
    - 30 Sep 03 Close RFPs or Exemptions on 80% of Systems
    - 30 Sep 04 Make SSA Decisions or Exemptions on 65% of Systems
    - 30 Sep 05 Complete Privatization Evaluation on 100% all Systems

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15

## **UP Program Definition**



- Utilities privatization is a method by which military installations can obtain <u>safe</u>, <u>technologically current</u>, and <u>environmentally sound</u> utility systems, at a relatively lower cost than they would under continued government ownership.
- In the privatization process, military installations shift from the role of owner-operators to that of smart utility service customers.

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# UP Program Scope Three Components



- The <u>permanent conveyance of a utility system</u> or a part of a utility system, under the jurisdiction of the Service Secretary
- Acquisition of utility service from the party whom the system was conveyed
  - Request for Proposals used are standardized by Military Service
  - Statute authorizes 50-year contracting authority
- Execution of an Easement / Right-of-Way to allow base access
- GO/NO-GO Statutory Test: 10 U.S.C. 2688
- Contractor is typically a municipal, private, regional, district, or cooperative utility company or other entity

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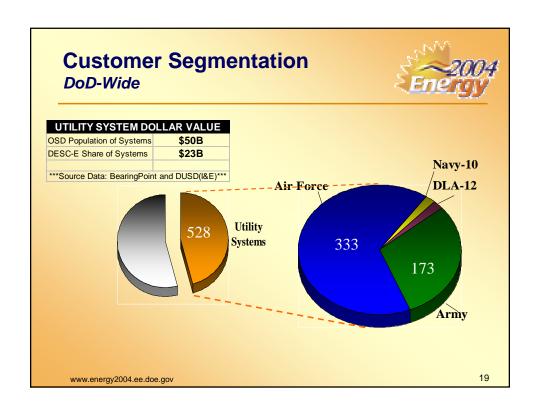
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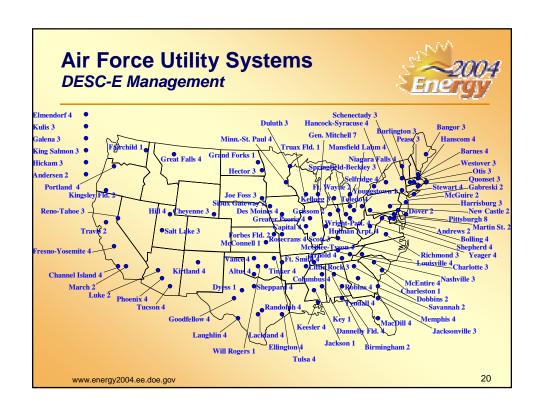
# **UP Program Scope** *continued*

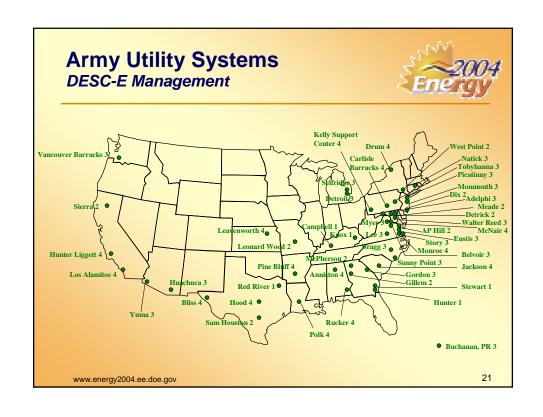


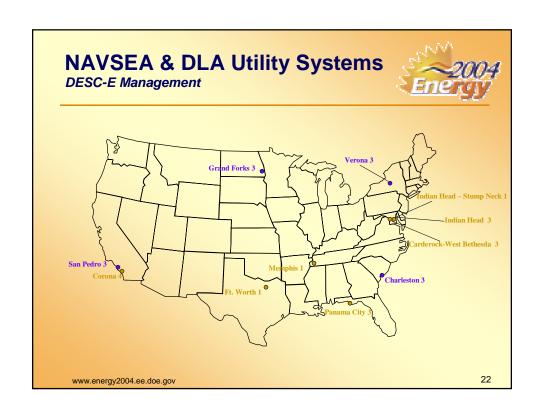
- All systems must have a certified economic analysis to conform to economic tenets of 10 USC 2688
- Award is on a "Best Value" basis
  - Mission Capability, Past Performance, Performance Risk, Socioeconomic, and Price Factors
- For Systems to be Privatized
  - Execute Congressional Notification on Quarterly Basis
    - House and Senate Armed Services Committees
  - Service Secretary coordinates and authorizes transfer via real estate documents
  - Authorization memorandum from Military Component to DESC to award contract
  - DUSD(I&E) provided courtesy copy of privatization documents

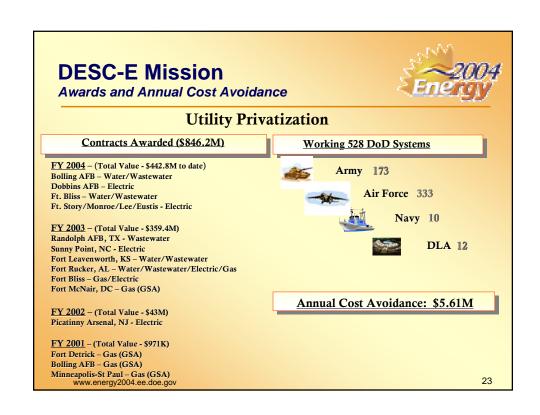
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### The Way Forward



- Continue to serve as the Execution Arm for DUSD(I&E) vision on DoD Installation Energy Management
- Continue to partner w/ Services to develop concept of operations to facilitate and support integration of energy management efforts
- Provide Comprehensive Energy Solutions for DoD
- One-Stop Energy Shop
- Expand Facility Energy Support into Overseas Arena

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#### **DESC Points of Contact**



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